

Message Text

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SUBJ: GOP INTRODUCES CURB ON WAGE INCREASES

REF: LISBON 2019

SUMMARY: AS A STEP TOWARD RESTORING LABOR STABILITY, THE GOP HAS SET LIMITS ON CERTAIN WAGE INCREASES AND FROZEN PRICES. THESE ARE ONLY HALFWAY AND TEMPORARY MEASURES, BUT THE GOVERNMENT HAS PROMISED FURTHER LEGISLATION WITHIN 30 DAYS THAT WOULD DEFINE LABOR-MANAGEMENT RELATIONS AND THE RIGHT TO STRIKE. FOR THE MOMENT, AT LEAST, THERE APPEARS TO BE AGREEMENT AMONG THE POLITICAL FACTIONS REPRESENTED IN THE GOVERNMENT THAT LABOR ANARCHY IS UNDESIRABLE. END SUMMARY.

1. TO REDUCE THE THREAT OF RUNAWAY WAGE DEMANDS, THE PROVISIONAL GOVERNMENT HAS TEMPORARILY INSTRUCTED EMPLOYERS OF MOST WORKERS (FARMERS, DOMESTICS, LIMITED OFFICIAL USE

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AND MILITARY WILL BE THE SUBJECTS OF SEPARATE

LEGISLATION) TO PAY NO LESS THAN 3,300 ESCUDOS A MONTH --\$130--BUT TO FREEZE WAGES FOR THOSE EARNING MORE THAN 7,500 -- \$300. THE GOVERNMENT ESTIMATES THAT 50 PERCENT OF THE LABOR FORCE NOW EARNS LESS THAN 3,300. INCREASES FOR WORKERS WHO EARN LESS THAN 7,500 WILL BE ARRIVED AT THROUGH LABOR-MANAGEMENT NEGOTIATIONS. AT THE SAME TIME, THE GOP HAS PROMISED TO FREEZE PRICES AT APRIL 24 LEVELS, INCREASE PENSIONS AND FAMILY ALLOWANCES, AND WITHIN 30 DAYS TO ISSUE LEGISLATION GOVERNING UNIONS, EMPLOYER ASSOCIATIONS, AND THE RIGHT TO STRIKE.

2. IN A PARALLEL MOVE, MINISTER WITHOUT PORTFOLIO PEREIRA DE MOURA, AN EMINENT ECONOMIST WITH LEFTIST CREDENTIALS, PERSONALLY ENDORSED THESE MEASURES. IN DOING SO HE SAID THAT THE ECONOMY CANNOT NOW STAND THE MINIMUM WAGE OF 6,000 ESCUDOS WHICH MANY WORKERS ARE DEMANDING AND SAID THAT STRIKES MUST BE USED ONLY AS A LAST RECOURSE.

3. THE IDEA THAT LABOR STRIFE IS A SHOAL UPON WHICH THE REVOLUTION COULD FOUNDER IS WIDELY HELD ACROSS THE POLITICAL SPECTRUM. THE SECRETARY OF STATE FOR INDUSTRY AND ENERGY LAST WEEK STATED TO AN EMBOFF THAT IF THE PROVISIONAL GOVERNMENT CANNOT MEET THE LABOR CHALLENGE, IT MIGHT WELL GO UNDER. IN A LENGTHY PRESS DECLARATION MAY 28, THE LEFT OF CENTER MOVIMENTO DEMOCRATICO PORTUGUES ISSUED A PLEA FOR WORKERS NOT TO USE INDISCRIMINANTLY THEIR HARD-WON RIGHT TO STRIKE, AND A COMMUNIST OFFICIAL IN THE LABOR MINISTRY DEPLORED TO AN EMBOFF THE WORKERS' TACTIC OF SEIZING PLANTS AS A MEANS TO OBTAIN DISMISSALS OF MANAGEMENT PERSONNEL THEY FIND OBJECTIONABLE.

4. COMMENT: THE GOVERNMENT FACES THE DELICATE TASK OF CURBING ECONOMICALLY INTOLERABLE WAGE INCREASES AND DEMORALIZING INTERFERENCE WITH MANAGEMENT WITHOUT TOUCHING OFF STRONG POLITICAL UNREST BY ABRUPTLY LIMITED OFFICIAL USE

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STIFLING LABOR'S GREAT POST-COUP EXPECTATIONS. THE MEASURES DESCRIBED IN PARA 1 ARE A FIRST STEP TOWARD A SOLUTION. THEY HAVE CONSIDERABLE APPEAL IN THAT THEY BRING SOME RELIEF TO HALF--THE POORER HALF-- OF THE LABOR FORCE, LEAVE ROOM WITHIN LIMITS FOR LABOR-MANAGEMENT NEGOTIATIONS, AND ARE CLEARLY LABELED PROVISIONAL. THEY DO NOT, HOWEVER, CLOSE THE DOOR ON LABOR STRIFE. NO CURBS ARE PUT ON

WORKERS' EFFORTS TO NEGOTIATE FOR INCREASES UP
TO 7,500 ESCUDOS PER MONTH AND NOTHING IS SAID
ABOUT DISAGREEMENTS INVOLVING NON-WAGE DISPUTES,
SUCH AS WORKER DEMANDS FOR DISMISSAL OF MANAGEMENT
PERSONNEL. (LATTER PROBLEM HAS BEEN PARTICULARLY
TROUBLESOME TO AMERICAN FIRMS). PRESUMABLY
THE NEW LIMITATIONS ON WAGES ARE ONLY THE FIRST
TIGHTENING OF REINS AND LEGISLATION TO DEFINE THE
RIGHT TO STRIKE AND LABOR-MANAGEMENT RELATIONSHIPS,
PROMISED WITHIN 30 DAYS, WILL BE ANOTHER STEP
TO INTRODUCE ORDER INTO A STILL UNSTABLE
SITUATION. WHILE DIFFERING IN THEIR ULTIMATE OBJECTIVES,
MOST POLITICAL ELEMENTS IN THE GOVERNMENT SEEM TO
AGREE, FOR THE MOMENT AT LEAST, THAT LABOR ANARCHY
COULD JEOPARDIZE THE REVOLUTION.
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